Yeshiva University

Consolidated Financial Statements

June 30, 2017 and 2016

Yeshiva University
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Report of Independent Auditors

To the Board of Trustees of
Yeshiva University

We have audited the accompanying consolidated financial statements of Yeshiva University and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yeshiva University and its subsidiaries at June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

January 11, 2018

Yeshiva University
Consolidated Statements of Financial Position
June 30, 2017 and 2016
(in thousands of dollars)

	2017	2016
Assets		
Cash and cash equivalents	$ 28,071	$ 30,389
Note receivable (Notes 2 and 3)	-	147,849
Student receivables, net (Note 6)	34,675	35,732
Contributions receivable, net (Note 6)	67,884	70,254
Other assets and receivables (Note 6)	47,812	45,848
Investments, at fair value (Note 4)	606,733	461,261
Investments held for AECOM, Inc. (Notes 4 and 11)	61,736	73,770
Investments held for unconsolidated organizations (Note 4)	139,453	135,336
Trusts and split-interest agreements held by others	12,142	11,623
Land, buildings and equipment, net (Note 7)	202,947	209,676
Assets held for sale (Note 7)	-	5,657
Total assets	$ 1,201,453	$ 1,227,395
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 32,290	$ 37,436
Deferred revenue	4,955	4,853
Other liabilities	13,594	12,529
Refundable advances from the U.S. Government	6,111	5,930
Bonds payable and other debt (Note 9)	299,638	347,218
Asset retirement obligations (Note 10)	9,455	9,725
Due to AECOM, Inc. (Note 11)	68,369	82,760
Investments held for unconsolidated organizations (Note 4)	139,453	135,336
Total liabilities	573,865	635,787
Contingencies (Note 17)		
Net assets		
Unrestricted	(12,125)	(25,366)
Temporarily restricted (Note 15)	199,840	189,935
Permanently restricted (Note 16)	439,873	427,039
Total net assets	627,588	591,608
Total liabilities and net assets	$ 1,201,453	$ 1,227,395

The accompanying notes are an integral part of these consolidated financial statements.

Yeshiva University
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016
(in thousands of dollars)

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues								
Tuition and fees, net of scholarships of $75,379 in 2017 and $79,105 in 2016 (Note 13)	$ 98,299	$ -	$ -	$ 98,299	$ 102,861	$ -	$ -	$ 102,861
Grants and contracts	2,779	-	-	2,779	30,358	-	-	30,358
Contributions	9,109	-	-	9,109	4,780	-	-	4,780
Investment support utilized	24,164	-	-	24,164	25,268	-	-	25,268
Interest income	697	-	-	697	7,714	-	-	7,714
Auxiliary enterprises	17,084	-	-	17,084	19,904	-	-	19,904
Other revenue	15,741	-	-	15,741	19,910	-	-	19,910
Gain on sale of properties (Note 7)	61,568	-	-	61,568	-	-	-	-
Net assets released from restrictions (Note 14)	30,557	-	-	30,557	33,763	-	-	33,763
Total operating revenues	259,998	-	-	259,998	244,558	-	-	244,558
Operating expenses								
Instruction	96,069	-	-	96,069	114,943	-	-	114,943
Research and training	3,655	-	-	3,655	36,619	-	-	36,619
Academic support	34,945	-	-	34,945	40,423	-	-	40,423
Student services	23,829	-	-	23,829	25,904	-	-	25,904
Institutional support	57,739	-	-	57,739	61,774	-	-	61,774
Auxiliary enterprises	13,153	-	-	13,153	17,344	-	-	17,344
Total operating expenses (Note 12)	229,390	-	-	229,390	297,007	-	-	297,007
Change in operating activities	30,608	-	-	30,608	(52,449)	-	-	(52,449)
Nonoperating activities								
Contributions, net	-	17,247	6,944	24,191	-	28,603	6,943	35,546
Recovery/(provision) for uncollectible contributions receivable	-	717	1,895	2,612	-	(151)	(93)	(244)
Net assets released from restrictions and reclassifications (Note 14)	(1,713)	(29,170)	326	(30,557)	(2)	(29,653)	(4,108)	(33,763)
Net investment return (Note 4)	9,069	42,254	540	51,863	(4,591)	(12,083)	(192)	(16,866)
Investment support utilized	(3,058)	(21,106)	-	(24,164)	(926)	(24,342)	-	(25,268)
Other revenue and transfers	26	2	3,133	3,161	333	387	(812)	(92)
Subsidy of unconsolidated organization (Note 6)	(1,603)	-	-	(1,603)	(2,391)	-	-	(2,391)
Extinguishment on debt (Note 9)	(15,975)	-	-	(15,975)	-	-	-	-
Other expenses (Note 9)	(4,113)	(39)	(4)	(4,156)	-	(39)	(4)	(43)
Transfer of net assets/reduction, net in connection with the Transaction (Note 3)	-	-	-	-	(33,788)	(203,754)	(256,230)	(493,772)
Change in net assets from nonoperating activities	(17,367)	9,905	12,834	5,372	(41,365)	(241,032)	(254,496)	(536,893)
Change in net assets	13,241	9,905	12,834	35,980	(93,814)	(241,032)	(254,496)	(589,342)
Net assets								
Beginning of year	(25,366)	189,935	427,039	591,608	68,448	430,967	681,535	1,180,950
End of year	$ (12,125)	$ 199,840	$ 439,873	$ 627,588	$ (25,366)	$ 189,935	$ 427,039	$ 591,608

The accompanying notes are an integral part of these consolidated financial statements.

Yeshiva University
Consolidated Statement of Cash Flows
Years Ended June 30, 2017 and 2016
(in thousands of dollars)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 35,980	$ (589,342)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Transfer of net assets/reduction, net in connection with the Transaction (Note 3)	-	493,772
Realized and unrealized (gain) loss on investments	(49,401)	24,608
Noncash endowment transfer	(2,478)	-
Unrealized (gain) loss in irrevocable charitable remainder trusts	(60)	(6)
Unrealized (gain) loss in Operational Investments Funds	527	-
Noncash contributions received	(919)	(568)
Proceeds from sale of donated securities	864	443
Depreciation, accretion, and amortization expense	16,903	14,641
Gain on sale of properties	(61,568)	-
Payment of debt extinguishment costs	15,975	-
Change in trusts and split-interest agreements held by others	(519)	978
Present value adjustments to receivables	(3,482)	(8,849)
Recovery for uncollectible loans and receivables	(2,693)	(1,535)
Contributions restricted for long-term investment	(5,287)	(3,177)
Contributions restricted for investment in plant assets	(279)	(323)
Changes in operating assets and liabilities		
Other assets and receivables	4,839	35,642
Accounts payable and accrued expenses	(4,835)	(13,934)
Deferred revenue, trusts held for others, other liabilities and asset retirement obligations	(160)	(7,422)
Net cash used in operating activities	(56,593)	(55,072)
Cash flows from investing activities		
Change in student and faculty loans receivables, net	1,226	(517)
Additions to land, buildings and equipment	(6,722)	(6,856)
Proceeds from sale of properties	66,045	-
Proceeds from Einstein transaction (Note 3)	-	1,500
Proceeds from sale of note (Note 3)	148,000	-
Change in funds held by bond trustees	(15)	2,214
Purchases of investments	(395,985)	(221,601)
Proceeds from sales of investments	301,925	276,788
Net cash provided by investing activities	114,474	51,528
Cash flows from financing activities		
Contributions restricted for long-term investment	5,342	3,302
Contributions restricted for investment in plant assets	279	323
Change in refundable advances from the U.S. Government	181	(119)
Proceeds from issuance of bonds and mortgage payable	140,083	-
Payment of bonds, notes, and mortgages payable	(186,883)	(3,871)
Payment of debt extinguishment costs	(15,975)	-
Payment of debt issuance costs	(3,226)	-
Payment on capital lease obligation	-	(257)
Net cash used in financing activities	(60,199)	(622)
Net change in cash and cash equivalents	(2,318)	(4,166)
Cash and cash equivalents		
Beginning of year	30,389	34,555
End of year	$ 28,071	$ 30,389
Supplemental disclosure		
Interest paid	$ 21,634	$ 25,260
Change in accounts payable and accrued expenses relating to plant assets	(220)	37
Payment/Defeasance of DASNY debt by third party (Note 3)	-	145,995
Note receivable from AECOM, Inc. (Note 3)	-	140,809

The accompanying notes are an integral part of these consolidated financial statements.

1. The University and its Operations

Yeshiva University (the "University") is a private, nonprofit institution of higher education primarily based in New York City. The University was founded in 1886 as the Rabbi Isaac Elchanan Theological Seminary ("RIETS"), with which it is still affiliated, and was chartered as a separate University in 1945. The University brings together the heritage of western civilization and the ancient traditions of Jewish law and life.

The University is comprised of several colleges and schools providing undergraduate, graduate, professional, and post-doctoral education and training. The University's undergraduate education includes Jewish Studies (the Robert M. Beren Department of Jewish Studies and the Rebecca Ivry Department of Jewish Studies), Yeshiva College, Stern College for Women, Sy Syms School of Business and the S. Daniel Abraham Israel Program in Israel. Its graduate and professional schools include the Albert Einstein College of Medicine ("Einstein") (Note 3), Benjamin N. Cardozo School of Law ("Cardozo"), Sy Syms School of Business, Wurzweiler School of Social Work, Ferkauf Graduate School of Psychology ("Ferkauf"), Azrieli Graduate School of Jewish Education and Administration, and Bernard Revel Graduate School of Jewish Studies. The University provides instruction to approximately 6,200 undergraduate, graduate and professional students including medical students attending Einstein.

The University is accredited by the Middle States Association of Colleges and Schools, Einstein is accredited by the Liaison Committee on Medical Education and Cardozo is accredited by the American Bar Association. The other academic programs are accredited by appropriate state and professional accrediting agencies and associations.

The University has four New York City campuses: the Wilf Campus located in the Washington Heights section of Manhattan, the Israel Henry Beren Campus located in the Murray Hill section of Manhattan, the Brookdale Center located in the Greenwich Village section of Manhattan, and the Jack and Pearl Resnick Campus located in the Bronx. The Wilf Campus, Beren Campus and the Brookdale Center, together with Ferkauf which is located in the Bronx, comprise the Manhattan Campuses. The Manhattan Campuses include all units of the University other than Einstein. The University operates a museum in New York City and is associated with programs in Israel and Canada.

The University derives its revenues principally from student tuition and fees, government appropriations, grants and contracts, contributions, and investment earnings. Additional support is generated through auxiliary activities carried out by the University, such as dining services and residence facilities. The University spends these resources in support of its instructional and research mission.

Related Entities

Consolidated Organizations

There are several entities (the "Consolidated Organizations") that are controlled by the University and for which the University provides various administrative services. The financial results of the Consolidated Organizations are consolidated for financial statement reporting purposes.

The Yeshiva Endowment Foundation, Inc. (the “Foundation”) was formed in 1927 as a separate not-for-profit corporation organized for the benefit of the University and its affiliate, RIETS. Control of the Foundation is vested in a Board of Directors, all of whom are members of the University’s Board of Trustees (the “Board of Trustees”). The Foundation includes five wholly owned, for-profit real estate corporations.

Y Properties Holdings, LLC (“Y Properties”) was formed in 2017 as a special purpose bankruptcy remote entity in connection with the refinancing of the University’s private placement debt which was collateralized by a mortgage encumbering five University properties in New York City. The purpose of Y Properties is to generally acquire, hold, maintain, operate, lease, or otherwise use its properties and to borrow money in furtherance of the objectives of Y Properties. The sole member of Y Properties is the University. On April 21, 2017, the University transferred ownership of the five aforementioned properties to Y Properties, and Y Properties entered into a $140,000 loan agreement secured by a mortgage on such properties. The net proceeds of the loan (less the costs of issuance) were distributed to the University as the sole member and used to repay the private placement debt. The University continues to use these properties, as a tenant, pursuant to a long-term operating lease with Y Properties as landlord (Notes 7 and 9(d)). Y Properties remains a separate entity whose assets and credit are not available to satisfy the University’s unrelated debts and other obligations. As the sole controlling member, the University includes the operations of Y Properties in the University’s consolidated financial statements.

The University also owns several real estate entities, some of which are for-profit, that provide revenue to the University.

Unconsolidated Organizations
RIETS and the Yeshiva University High Schools (the “High Schools”), an education corporation that maintains separate secondary school programs for boys and girls, are independently incorporated not-for-profit institutions separately chartered by the Board of Regents of the State of New York in 1970 and 2009, respectively. Control of RIETS and the High Schools is vested in their respective boards of trustees, a minority of whose membership includes trustees of the University. The financial results for these two entities are excluded from the consolidated financial statements.

Affiliation Agreements
On September 9, 2015 (the “Acquisition Date” or the “Closing”), the University entered into a Joint Collaboration Agreement regarding Einstein with Montefiore Medicine Academic Health System, Inc. (“Montefiore Medicine”), an affiliate of Montefiore Medical Center (“Montefiore”) which has long been Einstein’s principal teaching hospital. Pursuant to the Joint Collaboration Agreement, the University transferred operational and financial responsibility for Einstein to a newly-created not-for-profit tax-exempt corporation (“AECOM, Inc.”) controlled by Montefiore Medicine (Note 3).

For a transition period, estimated to be at least three years following the Closing, until AECOM, Inc. receives full accreditation as a freestanding degree-granting institution, the University will: (i) maintain academic oversight for the medical school, including granting degrees; and (ii) provide certain administrative services to or on behalf of the medical school. As part of the University’s continuing involvement during the transition period until AECOM, Inc. receives full accreditation, certain medical school employees, including a number of faculty members and academic officers, will remain employed by the University. Additionally, during this transition period, medical school students will continue to enroll at the University and financial aid will be administered by the University in accordance with applicable federal and state law and accreditation requirements. As part of a transition services agreement, AECOM, Inc. will pay the University for the University's ongoing activities benefitting medical students and the medical school during the transition period.

The University's fiscal year 2016 consolidated financial statements reflect the operations of Einstein for the two month period until the effective date of the Joint Collaboration Agreement.

Tax Matters
The University is a not-for-profit corporation described in Internal Revenue Code Section 501(c) (3) and is generally exempt from federal income taxes on related income under Internal Revenue Code Section 501(a). Accordingly, no provision for federal income tax has been recorded in the consolidated financial statements. The University is also exempt from New York income taxes under the related state provisions. The University is subject to the unrelated business income tax on revenue generated by activities unrelated to its tax-exempt mission of education and research, primarily from income generated by certain investments. For the years ended June 30, 2017 and 2016, the University generated net unrelated trade or business income of $1,330 and ($2,065), respectively. As of June 30, 2017, the University had approximately $13,261 of ordinary loss carry-forwards to offset unrelated business income and capital gains generated in future years. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

The Foundation is a not-for-profit corporation described in Internal Revenue Code Section 501(c) (3) and is exempt from federal income taxes under Internal Revenue Code Section 501(a). The Foundation operates as a supporting organization of the University and RIETS. The real estate entities are wholly owned by either the University or the Foundation and operate as for-profit entities which are either disregarded or are subject to income tax at the federal, state, and local levels. In the opinion of management, these entities generate recurring losses and de minimis tax liabilities that are not material to the consolidated financial statements. Management has taken the position not to record a deferred tax asset with respect to these losses, as it is uncertain whether such losses will be utilized in the future.

Y Properties is a single member limited liability company that is classified as a disregarded entity for federal and state income tax purposes. For tax purposes, all of Y Properties' income and losses are included with the University, its sole member.

Management assesses its income tax position each year to determine whether it is likely to be sustained if examined by an applicable taxing authority. This review for fiscal 2017 had no material impact on the consolidated financial statements.

Financial Position and Liquidity
In recent years, the University has incurred significant operating losses. The University's recurring operating deficits have been funded in part by available operating resources.

As a result of these financial and operational challenges the University has been implementing certain strategic and operational initiatives to effect a short-term and long-term, comprehensive strategic business plan for a sustainable Yeshiva University. During fiscal 2017 the University completed certain liquidity transactions to provide additional operating support, and included amongst other initiatives, the sale of the note receivable to an unrelated third party for $148,000 (Note 3); the sales of certain real estate assets for $61,568 (Note 7); used $50,000 of proceeds to pay down a portion of private placement bonds (Note 9); and subsequently refinanced the remaining portion of private placement bonds through a special purpose entity (Note 9).

The University was in compliance with its bond and bank loan covenants at June 30, 2017 and 2016, and expects to remain in compliance, through fiscal 2018. Management believes that the University will have sufficient liquidity to meet its ongoing obligations, through June 30, 2019.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below:

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with standards established by the Financial Accounting Standards Board ("FASB") for external financial reporting by not-for-profit organizations. While the underlying accounts of the University are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the University, the accompanying consolidated financial statements present the financial position, activities, and cash flows of the University as a whole. University resources are classified and reported in the consolidated financial statements within separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets

Net assets that are used to carry out the University's mission of education and research which are not subject to donor restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that permit the University to use or expend in full the donated asset as specified, whose restriction will be met by actions of the University and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions stipulating that the asset be maintained permanently by the University. Generally, the donors of these assets permit the University to use appreciation earned on assets in accordance with the University's endowment spending policy for specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Generally, gains and losses on investments are reported as increases or decreases in temporarily restricted net assets until appropriated by the University. Net investment returns subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as investment support utilized under operating revenues when the donor-imposed restrictions are met.

Contributions subject to donor-imposed restrictions are reported as increases in temporarily restricted net assets under nonoperating activities and released from temporarily restricted net assets under nonoperating activities to unrestricted net assets as operating revenues when the donor-imposed restrictions are met.

Operating and Nonoperating Activities

The Consolidated Statements of Activities present the changes in net assets by distinguishing between operating and nonoperating activities.

Operating activities principally include all revenue and expenses that relate to the University's educational programs, research, training, and supporting activities. Investment returns utilized included in operating revenues consist of appropriated endowment spending on pooled endowed funds and investment income on nonendowed funds, as well as nonpooled endowed funds, that were used to support operating activities in accordance with the University's endowment spending policy (Note 5). Gain on sale of properties included in operating revenues consists of the net proceeds from the sale of certain University owned assets which were sold during the fiscal year (Note 7). Operating revenues also include the release of temporarily restricted net assets which include prior year contributions for which the donor-specified conditions have been met.

The University has defined nonoperating activities to principally include net investment return less investment return utilized to support current year operating activities in accordance with the University's endowment spending rate policy (Note 5), temporarily and permanently restricted contributions, temporarily restricted net assets released from restriction, changes in value of split-interest agreements, provision for uncollectible contributions receivable, and subsidy of unconsolidated organizations. Certain other gains, losses or changes in net assets related to transactions considered to be of an unusual or nonrecurring nature are also included in nonoperating activities.

Tuition and Fees

Tuition and fees are derived from degree and continuing education programs. The University recognizes tuition and fee revenues as operating income in the period in which they are earned. Tuition and fee receipts received in advance are recorded as deferred revenue. The University administers a variety of federal, state, institutional, and private programs in order to assist students in meeting tuition and other costs of attendance. Tuition and fee revenues are reported net of scholarships and transfers to AECOM, Inc.

Grants and Contracts

The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct and applicable indirect costs of sponsored programs as the related costs are incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on federally-sponsored programs are generally based on predetermined reimbursement rates which are stated as percentages and distributed based on modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any liability resulting from such audits will not materially affect the financial position or operations of the University.

Contributions

Contributions, including unconditional promises to give (“Pledges”), are reported as revenues in the period received or pledged.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt if the University received certain goods and services that meet criteria under generally accepted accounting principles in the United States of America (“GAAP”) for recognition as contributions. Contributions of property and equipment are recorded as increases in unrestricted net assets unless the donor places restrictions on their use. Pledges not expected to be received within one year are discounted at a risk-adjusted rate that includes a premium for credit risk, if any. In addition, provisions for uncollectible contributions receivable is presented under nonoperating activities.

Investments and Net Investment Return

Investments are stated at estimated fair value. These fair values may differ from the values that would have been used had a ready market existed for these investments, and the differences could be significant.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are generally determined on the basis of average cost of securities sold and are reflected in net investment return in the Consolidated Statements of Activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis, and are reflected in net investment return in the Consolidated Statements of Activities.

Cash and Cash Equivalents

Cash and cash equivalents represent the University’s working capital and include cash on hand and other highly liquid investments having an original maturity of less than three months. Cash and cash equivalents may include cash in bank accounts and investments in money market funds. Cash and cash equivalents related to the University’s investment strategies are included in Investments in the Consolidated Statements of Financial Position. At times, cash in banks may exceed Federal Deposit Insurance Corporation (“FDIC”) insured limits.

Note receivable
As part of the Joint Collaboration Agreement (Note 3), the University received a promissory note ("Note") from AECOM, Inc. as additional consideration for the transfer to AECOM, Inc. of property and other assets. The principal amount of cash expected to be received over the life of the Note was $270,000 (20 annual payments of $12,500 each, followed by a final payment of $20,000). The University recorded the Note at an amount that reasonably approximates fair value. In calculating fair value, the University utilized a 6% discount rate which it determined was reasonable based on applicable rates for similar instruments of issuers with similar credit ratings. The difference between the face amount and present value using the imputed 6% rate was treated as a premium and amortized as interest income over the life of the Note using the interest method which provided a constant rate of interest when applied to the amount outstanding at the beginning of any given period. In October 2016, the University sold the Note for $148,000 to an unrelated third party.

Student Receivables and Allowance for Doubtful Accounts
Student receivables are recorded when billed to the student. Student receivables are reduced by an allowance for doubtful accounts. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Historical collection is an integral part of the estimation process related to reserves for uncollectible accounts. Revisions in allowance for doubtful accounts estimates are recorded as an adjustment to the provision for bad debts.

Institutional Student Loans
The University manages a variety of internal loan programs. Student loans are classified as permanently restricted net assets. Interest earned on institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

Split-Interest Agreements and Perpetual Trusts
The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the University serves as trustee. The fair value of trusts and split interest agreements are categorized at Level 3 within the fair value hierarchy. Contribution revenue is recognized at the date that the trusts are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

The University is the beneficiary of certain perpetual trusts and other split-interest agreements held and administered by others. The present value of the estimated future cash receipts from the trusts and agreements is recognized as an asset and as a contribution when the University is notified that the trusts or agreements have been funded. Distributions from the trusts greater than the estimated present value are recorded as contributions and the carrying value of the assets is adjusted annually for changes in the estimates of future receipts. Changes in the fair values of assets of perpetual trusts and agreements are recorded as increases or decreases in permanently restricted net assets.

Land, Buildings and Equipment
Land, buildings and equipment (Note 7) are stated substantially at cost, except for those received by contribution, which are stated at appraised value at date of contribution. Equipment, furniture and fixtures having a useful life of one year or more and an acquisition cost of three thousand dollars or more per unit are capitalized.

In the opinion of management, the University has title to all equipment purchased with grant funds, except for certain specialized equipment. In certain cases, the granting agencies retain certain rights thereto and may request transfer of such property to others. At such time, the University would recognize equipment disposals for these items. Items of equipment purchased under affiliation agreements and various clinical program agreements are not capitalized when the terms of the agreements specify that title to such property remains with the funding agency.

Depreciation is computed on a straight line basis over the assets' estimated useful lives. Depreciable lives of buildings and improvements are 50 years for building shell and up to 28 years for all other building components. The depreciable lives of equipment, furniture, and fixtures range from 5 to 15 years and range from 5 to 10 years for software applications.

Refundable Advances from the U.S. Government
Funds provided by the U.S. Government under the Federal Perkins Loan and the Health Professions Student Loan programs are loaned to eligible students and may be re-loaned after collection. These funds are ultimately refundable to the U.S. Government and are presented in the Consolidated Statements of Financial Position as a liability.

Fair Value
The University values certain financial and nonfinancial assets and liabilities by applying the FASB pronouncement on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy has three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of the University as follows:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3 Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The University is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, provided by independent sources that are actively involved in the relevant market, and not proprietary. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

Assets and liabilities are disclosed in the Notes to Consolidated Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. The University's assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated Net Asset Value ("NAV"), which all require significant management judgment or estimation.

As a practical expedient, the University is permitted, under the pronouncement, to estimate the fair value of an investment in an investment company at the measurement date using the reported NAV. Adjustment is required if the University expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with GAAP. All investments for which fair value is measured using NAV are excluded within the fair value hierarchy, as long as no adjustment is required to NAV and the investment manager has reported a NAV at the measurement date. Investments are categorized as Level 3 if a NAV adjustment is required or if there is no reported NAV at the measurement date.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with the *Fair Value Measurement* standard, price transparency and valuation procedures in place.

All investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is likely that changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

The fair value of the University's investments is disclosed in Note 4. A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the loans are not saleable and can only be assigned to the U.S. Government or its designees. The fair value of the mortgage loans receivable at June 30, 2017 and 2016 approximated carrying value in the Consolidated Statements of Financial Position. The carrying amount of the University's remaining financial instruments approximates fair value because of their short maturity.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the valuation of investments, provision for uncollectible receivables, the present value of multi-year pledges, and the allocation of expenses to functional classifications.

New Accounting Pronouncements

In May 2014, the FASB issued an Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction prices to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact this standard will have on the fiscal year 2019 consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern, that will require management of public and nonpublic companies to evaluate and disclose where there is substantial doubt about an entity's ability to continue as a going concern. The amendments are effective for annual periods ending after December 15, 2016, and for annual periods thereafter. Accordingly, the University has adopted this standard.

In April 2015, the FASB issued ASU 2015-03, simplifying the Presentation of Debt Issuance Costs. To simplify the presentation, upon adoption, debt issuance costs will be presented in the Consolidated Statements of Financial Position as a deduction from the carrying amount of debt liability, consistent with debt discounts or premiums rather than included in other assets as currently permitted. The recognition and measurement guidance for debt issuance costs is not affected. This ASU is effective for fiscal years beginning after December 15, 2015. The new guidance has been applied on a retrospective basis, whereby the Consolidated Statements of Financial Position for each period presented have been adjusted to reflect the respective period-specific effects. Accordingly, debt issuance costs are presented as a deduction from the carrying amount of Bonds payable and other debt ($5,105 and $6,412) for the year ended June 30, 2017 and 2016, respectively, on the Consolidated Statements of Financial Position.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which eliminate the requirement to disclose fair value of financial instruments at amortized cost for entities that are not public business entities. The amendments in this update are effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted for the elimination of the fair value of financial instruments disclosure guidance in the General Subsection of Section 825-10-50 (Financial Instruments Disclosures). The University elected to early adopt the elimination of the fair value guidance in fiscal year 2016.

In February 2016, the FASB issued ASU 2016-02, Leases that will require lessees to report most leases on their statement of financial position, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. Lessors in operating leases continue to recognize the underlying asset and recognize lease income on either a straight-line basis or another systematic and rational basis. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the financial reporting requirements in Topic 958, Not-for-Profit Entities. Changes include revisions to the classification of net assets and expanded liquidity disclosures. The ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2019 consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The ASU provides guidance on certain cash receipts and states that cash payments should be classified in the Statement of Cash Flows. The ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. The ASU provides guidance on the presentation, disclosure, and cash flow classification of restricted cash. The ASU is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. The University is evaluating the impact this standard will have on the fiscal year 2020 consolidated financial statements.

In January 2017, the FASB issued ASU 2017-02, Not-for-Profit Entities – Consolidation. The ASU clarifies the model used by not-for-profit entities to evaluate the consolidation in limited partnerships. The guidance maintains the status quo for general partners and clarifies the guidance to be applied by a limited partner. The ASU is effective for fiscal years beginning after December 15, 2016. The University is evaluating the impact this standard will have on the fiscal year 2018 consolidated financial statements.

Other Significant Accounting Policies
Other significant accounting policies are set forth in the following notes.

Reclassifications
Certain previously reported amounts in the fiscal 2016 consolidated financial statements have been reclassified in order to conform to the fiscal 2017 presentation.

3. Joint Collaboration Agreement – AECOM, Inc.

As described in Note 1, on September 9, 2015, the University entered into a Joint Collaboration Agreement regarding Einstein with Montefiore Medicine. Pursuant to the Joint Collaboration Agreement, the University transferred operational and financial responsibility for Einstein to AECOM, Inc., a newly-created not-for-profit tax-exempt corporation controlled by Montefiore Medicine. In connection with the Transaction (the "Transaction"), substantially all of the assets, employees, liabilities, and fiduciary responsibilities to donors associated with Einstein as well as those pertaining to the then consolidated related entity, Albert Einstein College of Medicine Staff Housing Co., Inc. (the "Housing Company"), were transferred from the University to, and assumed by, AECOM, Inc. as part of the agreement. As detailed below, included in the assets transferred were Einstein-related land and buildings in the Bronx, as well as Einstein-related receivables, investments, endowments and research grants and contracts. AECOM, Inc. is controlled by an affiliate of Montefiore and is now responsible for the medical school's current and future operations. Over the course of the several years prior to the Transaction, Einstein's operating deficits comprised a significant portion of the University's annual operating deficits. As described in Note 1, although financial and operational control transferred to the new entity, the University will continue to have involvement with AECOM, Inc., as it will be the degree granting institution until AECOM, Inc. receives its accreditation.

In accordance with the Joint Collaboration Agreement, those portions of the University's investment and endowment accounts that were attributable to (i.e., donated for the benefit of) Einstein were transferred from the University to AECOM, Inc. A portion of those investments have not yet been transferred to AECOM, Inc. (Notes 4 and 11).

In connection with the Transaction, the University received consideration in a number of forms including an amount of cash proceeds that were specifically paid to reduce its long-term debt, by redeeming or defeasing $136,110 of outstanding principal of Dormitory Authority of the State of New York ("DASNY") bonds and $9,885 of other defeased costs. In addition, the transfer of the Housing Company to AECOM, Inc. relieved the University of responsibility for approximately $42,600 of mortgage debt (both the first and subordinated mortgage notes and the associated mortgages) comprising the entire outstanding long-term debt encumbering the Housing Company's land and buildings.

The Joint Collaboration Agreement also provided for the University to receive additional consideration, in the form of 21 annual cash payments from AECOM, Inc., commencing on September 9, 2017, and on each September 9th thereafter through 2037. Such payments are represented by a Promissory Note from AECOM, Inc. to the University and aggregates $270,000 (20 payments of $12,500 each, followed by a final payment of $20,000). The present value of such Note using a 6% discount rate, at June 30, 2016 was $147,849. In fiscal year 2016, $7,040 of imputed interest was recorded as interest income related to the Note. Montefiore has guaranteed AECOM, Inc.'s obligation to make payments under the Note. In October 2016, the University sold the Note receivable from AECOM, Inc. for $148,000 to an unrelated third party. The proceeds represented an approximately 6% discount of the future payment stream on the Note. As part of the sale of the Note, all obligations of AECOM, Inc. under the Note and the future proceeds of the Note were assigned to the third party.

As part of the agreement, the University retained ownership of certain limited assets on the Resnick Campus in the Bronx. The University was also relieved of substantially all of its inter-divisional borrowing from Einstein.

(in thousands of dollars)

The Consolidated Statements of Activities incorporate the activities of two months of Einstein for the year ended June 30, 2016. Such activities include total operating revenues of approximately $46,000, total operating expenses of approximately $65,000, and operating losses of approximately ($19,000).

The Transaction was consummated on September 9, 2015, and the following represents the assets assigned, liabilities assumed, consideration received and the resulting decrease to consolidated net assets as of the effective date of the Transaction.

	2016
Assets assigned to AECOM, Inc.	
Deposit held for AECOM, Inc.	$ 2,137
Grants and contracts receivable, net	22,952
Contributions receivable, net	19,410
Student receivables, net	9,085
Other assets and receivables	23,898
Mortgage loans receivables	16,292
Funds held by bond trustees	5,344
Investments	452,495
Trusts and split-interest agreements held by others	7,708
Land, buildings and equipment, net	373,116
Total assets assigned to AECOM, Inc.	932,437
Liabilities assumed by AECOM, Inc.	
Accounts payable and accrued expenses	16,075
Deferred revenue	13,868
Trusts held for others	14,642
Other liabilities	35,055
Mortgage note payable	42,572
Capital lease obligation	33,330
Asset retirement obligations	1,622
Total liabilities assumed by AECOM, Inc.	157,164
Consideration	
Note receivable from AECOM, Inc. (net of unamortized discount of $129,191 as of September 9, 2015)	140,809
Consideration received for defeasance of debt	145,995
Other cash consideration	1,500
Total consideration	288,304
Defeased costs and other, net	(6,803)
Total transfer of net assets/reduction, net in connection with the transaction	$ 493,772

The effect of the Transaction resulted in a reduction of $493,772 of net assets in the Consolidated Statement of Activities. The reduction relates to the transfer of net assets to AECOM, Inc., net of consideration received. Included in this reduction, is the transfer of approximately $256,230 of permanently restricted net assets and approximately $203,754 of temporarily restricted net assets which primarily related to the fiduciary obligations associated with the Einstein related endowments, endowment appreciation, and other restricted funds relating to Einstein as part of the Transaction.

(in thousands of dollars)

4. Investments

The University manages substantially all of its investments and those of certain Consolidated Organizations and Unconsolidated Organizations in three investment groups – the Long Term Pool ("LTPool") for long-term investments, the Operational Investment Funds ("OIFunds") for shorter-term investments, and Segregated Investments.

The Investment Oversight Committee of the Board of Trustees oversees the University's investment strategy for the LTPool in accordance with established guidelines, which cover, among other criteria, asset allocation, diversification, liquidity and performance return objectives. The overall investment objective of the University is to invest the LTPool in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after accounting for inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and managers.

In anticipation of the Joint Collaboration Agreement regarding Einstein (Note 3), the University split the LTPool into two unitized pools, both of which are included as part of the LTPool in the schedule below. The remaining portion of Einstein's investments of $61,736 and $73,770 at June 30, 2017 and 2016, respectively, represents investments held for AECOM, Inc. that are being transferred over time due to illiquidity and other regulatory reasons. These amounts are shown separately on the Consolidated Statements of Financial Position as of June 30, 2017, and 2016, respectively.

The OIFunds are managed to a shorter-term investment horizon with an emphasis on liquidity. Investments include cash and cash equivalents, fixed income, and equities held in mutual funds.

Segregated Investments include investments that are donor directed and assets held in irrevocable charitable remainder trusts. These investments include cash and cash equivalents, U.S. Government obligations, mutual funds (fixed income), corporate debt, State of Israel Bonds, corporate stocks, mutual funds (equities), investment receivables, investment payables and other investments.

At June 30, 2017 and 2016, the value of the University's interest in these groups is as follows:

	2017	2016
Long term pool	$ 554,771	$ 440,290
Operational investment funds	47,139	15,910
Segregated investments	4,823	5,061
Total investments, at fair value	$ 606,733	$ 461,261

Assets held in irrevocable charitable remainder trusts of $802 and $818 are included in Segregated Investments as of June 30, 2017 and 2016, respectively. Included in investments held for AECOM, Inc. on the Consolidated Statements of Financial Position are $20,434 and $20,215 of irrevocable charitable remainder trusts as of June 30, 2017 and 2016, respectively.

As of June 30, 2016, the University held assets of $5,250 which were included in the OIFunds and were collateral to a letter of credit provided to an estate for which the University (on behalf of

(in thousands of dollars)

Einstein) is the residuary beneficiary, in the event additional expenses are incurred by the estate. During fiscal year 2017 the collateral was released and the assets held were returned to Einstein.

The following tables present the fair value hierarchy for those assets reported at fair value in the Consolidated Statements of Financial Position as of June 30, 2017 and 2016. The fair value amounts presented below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position as of June 30, 2017 and 2016:

	2017				
Investment strategy	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
Cash and cash equivalents	$ 83,563	$ -	$ -	$ -	$ 83,563
Fixed income					
U.S. Government obligations	50,088	-	-	-	50,088
Mutual funds (fixed income)	1,483	-	-	-	1,483
Corporate debt	-	63,280	-	-	63,280
State of Israel bonds	-	-	160	-	160
Equities					
Corporate stocks	57,240	-	-	42,520	99,760
Mutual funds (equities)	49,563	-	-	-	49,563
Long-only equities	-	-	-	88,593	88,593
Long-short equities	-	-	-	117,569	117,569
Private equity	-	-	-	60,381	60,381
Venture capital	-	-	-	9,838	9,838
Marketable alternatives					
Multi-strategy/event-driven	-	-	-	140,859	140,859
Real assets	-	-	-	7,231	7,231
Real estate	-	-	6,730	8,064	14,794
Investment receivables	-	-	-	18,935	18,935
Other investments	416	-	1,409	-	1,825
	$ 242,353	$ 63,280	$ 8,299	$ 493,990	807,922
Less: Unconsolidated Organizations' interests in the investments portfolio					(139,453)
Less: Investments held for AECOM, Inc.					(61,736)
Total investments, at fair value					$ 606,733

(in thousands of dollars)

Investment Strategy	2016 Level 1	Level 2	Level 3	NAV	Total
Cash and cash equivalents	$ 60,772	$ -	$ -	$ -	$ 60,772
Fixed income					
U.S. Government obligations	50,650	-	-	-	50,650
Mutual funds (fixed income)	1,264	-	-	-	1,264
Corporate debt	-	17,419	-	-	17,419
State of Israel bonds	-	-	176	-	176
Equities					
Corporate stocks	39,800	-	-	-	39,800
Mutual funds (equities)	52,612	-	-	-	52,612
Long-only equities	-	-	-	94,120	94,120
Long-short equities	-	-	-	117,296	117,296
Private equity	-	-	-	53,635	53,635
Venture capital	-	-	-	10,540	10,540
Marketable alternatives					
Multi-strategy/event-driven	-	-	-	135,730	135,730
Real assets	-	-	-	5,852	5,852
Real estate	-	-	10,551	10,031	20,582
Investment receivables	-	-	-	8,228	8,228
Investment payables	-	-	-	(568)	(568)
Other investments	879	-	1,380	-	2,259
	$ 205,977	$ 17,419	$ 12,107	$ 434,864	670,367
Less: Unconsolidated Organizations' interests in the investments portfolio					(135,336)
Less: Investments held for AECOM, Inc.					(73,770)
Total investments, at fair value					$ 461,261

The unconsolidated organizations' interests in the investment portfolio and investments held for AECOM, Inc. and their related liabilities in the Consolidated Statements of Financial Position are stated at fair value. The fair value hierarchy of the unconsolidated organizations' interest in the investment portfolio, and its related liability, as a percentage of the University's fair value hierarchy is as follows: 18.7% in Level 1, 5.4% in Level 2, 10.8% in Level 3 and 18.2% in NAV as of June 30, 2017 and 20.6% in Level 1, 5.7% in Level 2, 12.7% in Level 3 and 20.8% in NAV as of June 30, 2016. The fair value hierarchy of investments held for AECOM, Inc., and its related liability, as a percentage of the University's fair value hierarchy is as follows: 9.2% in Level 1, 3.3% in Level 2, 49.6% in Level 3 and 6.7% in NAV as of June 30, 2017 and 12.9% in Level 1, 11.0% in Level 2, 46.4% in Level 3 and 9.1% in NAV as of June 30, 2016.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and other highly liquid investments having an original maturity of less than three months. Cash and cash equivalents may include cash in bank accounts and investments in money market funds. At times, cash in banks may exceed FDIC insured limits.

Fixed Income
Fixed income securities include directly held U.S. Government obligations, fixed income securities held in mutual funds, directly held corporate debt and directly held State of Israel bonds. U.S. Government obligations and fixed income securities held in mutual funds are valued based on quoted market prices in active markets and are categorized as Level 1. Corporate debt is valued based on quoted market prices, dealer or broker quotations and is categorized as Level 2. State of Israel bonds are recorded at face value, which approximates fair value, and are therefore categorized as Level 3.

Equities
Equity investments include directly held corporate stocks, public equities held in mutual funds, long-only equities, long-short equities, private equity and venture capital, all held in limited partnerships. Corporate stocks and public equities held in mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Long-only equities (where only long positions in assets and securities are traded and held), long-short equities (where long positions that are expected to appreciate and short positions that are expected to decline are traded and held), private equity (which invests directly in private firms) and venture capital (which includes direct equity investments of less mature firms) are valued at NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Marketable Alternatives
Marketable alternatives include limited partnership investments in multi-strategy/event-driven and macro strategies. Multi-strategy/event-driven (which represents an investment strategy that includes several strategies or attempts to take advantage of events such as mergers and restructurings) and macro (that bases its holdings - such as long and short positions in various equity, fixed income, currency, and futures markets - primarily on overall economic and political views of various countries (macroeconomic principles)) are valued at NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Real Assets and Real Estate
Real Assets represent limited partnership investments in tangible assets that may include rail cars, ships, aircraft, forestry or traded commodities. Real estate represents limited partnership investments in real property. The interests in these investments are valued at NAV provided by the investment manager. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy, as long as no adjustment is required to NAV and the manager has reported a NAV at the measurement date. Investments are categorized as Level 3 if a NAV adjustment is required or if there is no reported NAV at the measurement date.

Investment Receivables and Investment Payables
Investment receivables include investments in limited partnerships where the University has placed redemption requests and are valued at NAV. Investment payables include unsettled trades at the measurement date and are valued at NAV. All investments, for which fair value is measured using NAV, have been excluded within the fair value hierarchy.

Other Investments
Other investments include life insurance policies and directly held real estate property.

(in thousands of dollars)

The following table summarizes quantitative inputs and assumptions used for Level 3 investments for which fair value is based on unobservable inputs at June 30, 2017 and 2016:

2017

Investment Strategy		Fair Value	Valuation Technique	Significant Unobservable Input	Range
State of Israel bonds	$	160	Face value	N/A	N/A
Real estate		6,730	Discounted	Discount Rate	12.0% -15.0%
			Cash Flow	Capitalization Rate	5.5% - 10.4%

2016

Investment Strategy		Fair Value	Valuation Technique	Significant Unobservable Input	Range
State of Israel bonds	$	176	Face value	N/A	N/A
Real estate		10,551	Discounted	Discount Rate	12.0% - 15.5%
			Cash Flow	Capitalization Rate	5.8% - 9.5%

For the State of Israel bonds, the University utilized a discounted cash flow method, which includes significant unobservable input for counter party risk and a range of 2% - 3%, to determine that face value approximates fair value.

Excluded from the above table are “Other investments” classified in Level 3. These investments include life insurance policies, valued at policy surrender value, and directly held real estate properties, held at carrying value.

The following table presents the University’s fiscal 2017 activity for those assets classified as Level 3 within the fair value hierarchy:

	June 30, 2016	Purchases	Sales	Transfers to AECOM, Inc.	Net Realized and Unrealized Gain (Loss)	June 30, 2017
State of Israel bonds	$ 176	$ -	$ (18)	$ -	$ 2	$ 160
Real estate	10,551	-	(4,165)	-	344	6,730
Other investments	1,380	-	-	-	29	1,409
Total Level 3 investments	12,107	-	(4,183)	-	375	8,299
Trusts and split-interest agreements held by others	11,623	-	-	-	519	12,142
Total Level 3 assets	$ 23,730	$ -	$ (4,183)	$ -	$ 894	$ 20,441

(in thousands of dollars)

The following table presents the University's fiscal 2016 activity for those assets classified as Level 3 within the fair value hierarchy:

	June 30, 2015	Purchases	Sales	Transfers to AECOM, Inc.	Net Realized and Unrealized Gain (Loss)	June 30, 2016
State of Israel bonds	$ 7,066	$ 125	$ (3,665)	$ (3,350)	$ -	$ 176
Real estate	11,899	-	(4,936)	-	3,588	10,551
Other investments	4,494	-	-	(2,800)	(314)	1,380
Total Level 3 investments	23,459	125	(8,601)	(6,150)	3,274	12,107
Trusts and split-interest agreements held by others	20,309	-	-	(7,708)	(978)	11,623
Total Level 3 assets	$ 43,768	$ 125	$ (8,601)	$ (13,858)	$ 2,296	$ 23,730

All net realized and unrealized gains (losses) in the tables above are reflected in the Consolidated Statements of Activities. Net unrealized gains (losses) still held relating to Level 3 investments are ($682) and $3,665 at June 30, 2017 and 2016, respectively. The University's policy is to recognize transfers in and transfers out as of the end of the period. During the year ended June 30, 2017 and 2016, there were no significant transfers between Level 1 and Level 2.

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and other restrictions. The University has also made commitments to provide capital to various limited partnerships, and under the terms of those agreements, the University is obligated to periodically advance additional funding. The University had commitments of approximately $96,548 and $39,294 at June 30, 2017 and 2016, respectively, to investment funds and limited partnerships for which capital calls had not been exercised. These amounts have not been recorded as liabilities in the Consolidated Statements of Financial Position. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio to cover such calls. Details on liquidity, restrictions by strategy and type of investment are provided below as of June 30, 2017 and 2016:

				2017			
	Monthly and More Frequent	Quarterly	Semi-Annually and Annually	Greater Than One Year	Redemptions Placed	Total	Notice Periods in Days
Investment strategy							
Cash and cash equivalents	$ 83,563	$ -	$ -	$ -	$ -	$ 83,563	N/A
Fixed income							
U.S. Government obligations	50,088	-	-	-	-	50,088	N/A
Mutual funds (fixed income)	1,483	-	-	-	-	1,483	N/A
Corporate debt	63,280	-	-	-	-	63,280	N/A
State of Israel bonds	-	-	-	160	-	160	N/A
Equities							
Corporate stocks	99,760	-	-	-	-	99,760	10 - N/A
Mutual funds (equities)	49,563	-	-	-	-	49,563	N/A
Long-only equities	26,157	28,247	34,189		-	88,593	10–90
Long-short equities	-	37,709	57,884	7,847	14,129	117,569	30–90
Private equity	-	-	-	60,381	-	60,381	N/A
Venture capital	-	-	-	9,838	-	9,838	N/A
Marketable alternatives							
Multi-strategy/event-driven	-	54,774	79,428	-	6,657	140,859	45–120
Real assets	-	-	-	7,231	-	7,231	N/A
Real estate	-	-	-	14,794	-	14,794	N/A
Investment receivables	582	18,353	-	-	-	18,935	N/A
Other investments	416	-	-	1,409	-	1,825	N/A
Total investments, at fair value	$ 374,892	$ 139,083	$ 171,501	$ 101,660	$ 20,786	$ 807,922	

(in thousands of dollars)

2016	Monthly and More Frequent	Quarterly	Semi-Annually and Annually	Greater Than One Year	Redemptions Placed	Total	Notice Periods in Days
Investment strategy							
Cash and cash equivalents	$ 60,772	$ -	$ -	$ -	$ -	$ 60,772	N/A
Fixed income							
U.S. Government obligations	50,650	-	-	-	-	50,650	N/A
Mutual funds (fixed income)	1,264	-	-	-	-	1,264	N/A
Corporate debt	17,419	-	-	-	-	17,419	N/A
State of Israel bonds	-	-	-	176	-	176	N/A
Equities							
Corporate stocks	39,800	-	-	-	-	39,800	N/A
Mutual funds (equities)	52,612	-	-	-	-	52,612	N/A
Long-only equities	28,539	38,250	27,331	-	-	94,120	10–90
Long-short equities	-	52,017	51,197	-	14,082	117,296	30–90
Private equity	-	-	-	53,635	-	53,635	N/A
Venture capital	-	-	-	10,540	-	10,540	N/A
Marketable alternatives							
Multi-strategy/event-driven	-	49,586	75,146	-	10,998	135,730	45–180
Real assets	-	-	-	5,852	-	5,852	N/A
Real estate	-	-	-	20,582	-	20,582	N/A
Investment receivables	228	8,000	-	-	-	8,228	N/A
Investment payables	(568)	-	-	-	-	(568)	N/A
Other investments	881	-	-	1,378	-	2,259	N/A
Total investments, at fair value	$ 251,597	$ 147,853	$ 153,674	$ 92,163	$ 25,080	$ 670,367	

As of June 30, 2017, $7,847 within the long-short equites investment strategy is locked up until June 30, 2019. As of June 30, 2016, $12,623 within the long-only equity investment strategy is locked up until May 31, 2019, $17,350 within the long-short equities investment strategy is locked up until March 31, 2017, and $2,161 within the long-short equities investment strategy is locked up until May 31, 2019.

The University has placed redemptions with certain investments that are in the process of fully redeeming, in liquidation or are side pocketed. Payout from these investments is subject to when the investment manager determines and has the ability to sell the underlying assets to generate cash for payment. As such, payout of such investments may take a significant and indeterminable amount of time.

Details on outstanding commitments and remaining estimated life by strategy and type of investment are provided below as of June 30, 2017 and 2016:

2017		Remaining Years of Investments			
Investment Strategy	**Unfunded Commitment**	**0–3 Years**	**4–5 Years**	**Greater Than 5**	**Total**
Marketable alternatives					
Multi-strategy/event driven	$ 21,000	N/A	N/A	N/A	N/A
Equities					
Long-short equities	6,000	N/A	N/A	N/A	N/A
Private equity	58,581	41,190	3,158	16,033	60,381
Venture capital	7,033	8,321	-	1,517	9,838
Real assets	1,353	234	-	6,997	7,231
Real estate	2,581	14,794	-	-	14,794
Total	$ 96,548	$ 64,539	$ 3,158	$ 24,547	$ 92,244

(in thousands of dollars)

		2016			
		Remaining Years of Investments			
Investment Strategy	**Unfunded Commitment**	**0–3 Years**	**4–5 Years**	**Greater Than 5**	**Total**
Equities					
Private equity	$ 33,663	$ 44,319	$ -	$ 9,316	$ 53,635
Venture capital	577	10,540	-	-	10,540
Real assets	2,473	251	-	5,601	5,852
Real estate	2,581	20,582	-	-	20,582
Total	$ 39,294	$ 75,692	$ -	$ 14,917	$ 90,609

The net movement of cash and cash equivalents within the investments balance is included in proceeds from sales of investments in the Consolidated Statements of Cash Flows as of June 30, 2017 and 2016.

Net Investment Return

Net investment return for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Investment income	$ 4,532	$ 9,620
Investment expenses	(2,070)	(1,878)
Net realized and unrealized gains (losses)	49,401	(24,608)
Net investment return	$ 51,863	$ (16,866)

Investment Support Appropriated From LTPool

In fiscal 2017 investment support appropriated from the LTPool was $26,432, inclusive of appropriation from endowments of $23,686, of which $24,164 was utilized. In fiscal 2016 investment support appropriated from the LTPool was $32,227, inclusive of appropriation from endowments of $28,651, of which $25,268 was utilized.

5. Endowment

The University's endowment consists of approximately 1,200 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as permanently restricted net assets: (a) the original values of contributions donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument. Appreciation related to donor-restricted endowment funds is classified as temporarily restricted net assets and reclassified as unrestricted net assets when those amounts are appropriated for expenditure and utilized.

(in thousands of dollars)

The following represents the University's endowment net asset composition by type of fund as of June 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (10,667)	$ 127,581	$ 381,169	$ 498,083
Board-designated endowment funds	4,061	4,036	-	8,097
Total endowment net assets	$ (6,606)	$ 131,617	$ 381,169	506,180
Other investments, net				100,553
Total investments				$ 606,733

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (13,270)	$ 110,663	$ 372,647	$ 470,040
Board-designated endowment funds	3,869	4,324	-	8,193
Total endowment net assets	$ (9,401)	$ 114,987	$ 372,647	478,233
Other investments, net				(16,972)
Total investments				$ 461,261

The tables above do not include pledge receivables, loan funds and other permanently restricted funds of $58,704 and $54,392 for the years ended June 30, 2017 and 2016, respectively.

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	$ (9,401)	$ 114,987	$ 372,647	$ 478,233
Endowment income, net of expenses	18	2,106	23	2,147
Net realized and unrealized gains (losses) on endowments	377	42,784	490	43,651
Net endowment return	395	44,890	513	45,798
Contributions	1	235	5,342	5,578
Appropriation of endowment assets per spending policy	(204)	(23,217)	(265)	(23,686)
Transfers, withdrawals and other changes	-	(2,675)	2,932	257
Reclassifications	2,603	(2,603)	-	-
Endowment net assets at June 30, 2017	$ (6,606)	$ 131,617	$ 381,169	$ 506,180

(in thousands of dollars)

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2015	$ (6,720)	$ 306,813	$ 594,366	$ 894,459
Endowment income, net of expenses	53	6,792	75	6,920
Net realized and unrealized gains (losses) on endowments	(131)	(21,657)	(226)	(22,014)
Net endowment return	(78)	(14,865)	(151)	(15,094)
Contributions	5	46	3,302	3,353
Appropriation of endowment assets per spending policy	(221)	(28,117)	(313)	(28,651)
Transfers, withdrawals and other changes	(54)	(151,240)	(224,540)	(375,834)
Reclassifications	(2,333)	2,350	(17)	-
Endowment net assets at June 30, 2016	$ (9,401)	$ 114,987	$ 372,647	$ 478,233

In connection with the Transaction, the University transferred $370,730 of endowments to AECOM, Inc. in fiscal 2016, which is included in transfers, withdrawals and other changes in the table of changes in endowment net assets above.

In September 2010, the New York Prudent Management of Institutional Funds Act ("NYPMIFA") became effective in New York State. NYPMIFA contains provisions that govern appropriation and use, among other things, of donor-restricted endowment funds. NYPMIFA updated certain provisions of prior endowment management law that had become outdated.

Under NYPMIFA, a detailed prudence standard governs appropriation from endowment funds, and there is no longer a requirement to always maintain historic dollar value. Prudent appropriation from a fund whose value is less than its historic dollar value is permitted under certain circumstances. In particular, NYPMIFA provides that, unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. NYPMIFA retains the requirement that in making any decision to appropriate, "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." It further provides a requirement that the institution "shall consider, if relevant" the following eight factors in deciding whether or not to appropriate from a fund:

- The duration and preservation of the endowment fund
- The purposes of the Institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institution

- Alternatives to expenditure of the endowment fund

- The investment policy of the Institution

The provisions of NYPMIFA allowing prudent appropriation without regard to historic dollar value apply to funds created after its effective date. Donors of funds created before that date were given the option of requiring institutions to continue to observe the historic dollar value restrictions contained in prior law. Some donors of University funds have elected this option. Moreover, a donor may incorporate in a gift instrument specific restrictions on appropriation that are different from either NYPMIFA or prior law.

Certain of the University's funds are governed by such restrictions. Thus the University has funds that fall into three categories with respect to appropriation: those from which it may prudently appropriate without regard to historic dollar value; those from which it may prudently appropriate appreciation only above historic dollar value; and those whose appropriation is governed by specific instructions in the governing gift instrument.

The investment objectives for the University's endowment are to preserve the principal value of those funds (noting guidance above regarding appropriation), in both absolute as well as real terms, and to maximize over the long-term the total rate of return earned without assuming an unreasonable degree of risk. In connection with these investment objectives, the Board of Trustees has adopted a spending policy.

The University's spending policies are consistent with the University's objectives to utilize income to support mission-critical programs while preserving capital and ensuring future growth of the endowment. Under these policies, and as approved by the Board of Trustees, the long-term focus of the endowment is to support the University's mission by providing a reliable source of funds for current and future use.

The University utilizes a spending rate in allocating appreciation earned on assets invested in the LTPool. For fiscal 2016, the spending rate policy consisted of appropriating 5.5% of the fair value per unit in the LTPool, based on a 12-quarter average value through December 31 of the previous year. For fiscal 2017, the University changed the spend rate to 5.0% of the fair value per unit in the LTPool, based on a 12-quarter average value through December 31 of the previous year after assessing the NYPMIFA factors noted above. When donors have expressly stipulated the payout percentage of earnings on endowment that differs from the University's policies, the donors' intent prevails.

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below its original value. Deficiencies of this nature approximated \$10,667 and \$13,270 as of June 30, 2017 and 2016, respectively.

(in thousands of dollars)

The Manhattan Campuses had a balance of prior borrowings from the LTPool utilized to fund operations of $11,971 and $10,844 at June 30, 2017 and 2016, respectively. This amount included gains (losses) of $1,128 and ($188) in fiscal June 30, 2017 and 2016, respectively, and is reported as a reduction to the investment balance in the Consolidated Statements of Financial Position as of June 30, 2017 and 2016. AECOM, Inc.'s share of this borrowing amounted to $4,789 out of the $11,971 for fiscal 2017, which is included in investments held for AECOM, Inc. In accordance with the Joint Collaboration Agreement, the University will repay AECOM, Inc.'s share (plus accrued interest) over a ten year period commencing on September 9, 2020; and interest is accrued annually based on the equivalent return on the LTPool.

6. Receivables and Other Assets

Contributions Receivable, Net

Contributions receivable consists of the following at June 30, 2017 and 2016:

	2017	2016
Amount expected to be collected in		
Less than one year	$ 16,906	$ 18,305
One to five years	64,908	70,764
Greater than five years	22,531	24,987
	104,345	114,056
Less:		
Discount to present value (1.49%–6.00%)	(12,054)	(15,385)
Allowance for uncollectible amounts	(24,407)	(28,417)
Total contributions receivable, net	$ 67,884	$ 70,254

As of June 30, 2017 and 2016, approximately 79% and 75%, respectively, of gross contributions receivable were from five donors. The allowance in 2017 and 2016 includes approximately $20,000 related to a long-term donor due to changes in circumstances.

Student Receivables, Net

The tables below provide disclosures about the student loan receivables as well as student tuition receivables at June 30, 2017 and 2016.

	2017		
	Receivable	Allowance	Net Receivable
Federal revolving loans	$ 6,830	$ (1,312)	$ 5,518
Institutional loans	31,474	(7,108)	24,366
Accrued interest	5,349	(3,904)	1,445
Total student loans receivable	43,653	(12,324)	31,329
Total student tuition receivable	9,195	(5,849)	3,346
Total student receivables	$ 52,848	$ (18,173)	$ 34,675

(in thousands of dollars)

	2016		
	Receivable	Allowance	Net Receivable
Federal revolving loans	$ 7,345	$ (1,324)	$ 6,021
Institutional loans	32,198	(7,042)	25,156
Accrued interest	4,835	(3,508)	1,327
Total student loans receivable	44,378	(11,874)	32,504
Total student tuition receivable	8,358	(5,130)	3,228
Total student receivables	$ 52,736	$ (17,004)	$ 35,732

	2017					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	$ (1,324)	$ (7,042)	$ (3,508)	$ (11,874)	$ (5,130)	$ (17,004)
Current year recovery (provisions)	12	(66)	(396)	(450)	(719)	(1,169)
Allowance at end of year	$ (1,312)	$ (7,108)	$ (3,904)	$ (12,324)	$ (5,849)	$ (18,173)

	2016					
	Federal Revolving	Institutional	Accrued Interest	Total Loans Allowance	Student Receivables	Gross Allowances
Allowance at beginning of year	$ (1,415)	$ (8,213)	$ (3,196)	$ (12,824)	$ (4,303)	$ (17,127)
Current year recovery (provisions)	91	1,171	(312)	950	(827)	123
Allowance at end of year	$ (1,324)	$ (7,042)	$ (3,508)	$ (11,874)	$ (5,130)	$ (17,004)

Write-offs of a student loan receivable are based primarily on the age of the receivable and an evaluation of any recent activity in the account. Overall default rates and an evaluation of general economic conditions are reviewed at least annually. The University, because of its close and continuing relationship with its students and graduates, seeks to work closely with the students to help ensure repayment.

Other Assets and Receivables

Other assets consist of grant receivables, prepaid expenses, deposits with bond trustees, donated fractional interests in real estate, cash deposits required by vendors, due to/from related entities, rent receivables, and various other miscellaneous receivables. Included at fair value are the assets of the University's 457(b) deferred compensation plan (Note 8).

The University has a lease agreement with Montefiore, whereby exclusive occupation, management, and control of Jack D. Weiler Hospital of Albert Einstein College of Medicine ('WHAECOM") is with Montefiore. This lease was amended as part of the Transaction (Note 3), and the revenue from the lease is now allocated to Manhattan Campuses instead of Einstein. The lease term was extended and the annual lease payment was increased to $2,500, effective as of September 9, 2015, with annual increases thereafter of 2% compounded annually through 2114. The rental income on this lease is recognized evenly over the life of the lease, and accordingly, a rent receivable of $18,105 and $13,030 is included in other assets and receivables in the Consolidated Statements of Financial Position at June 30, 2017 and 2016, respectively.

(in thousands of dollars)

As of June 30, 2017, the University, as a lessor, is expecting to receive as minimum future lease payments for WHAECOM the following amounts over the next 5 years and thereafter:

	2018	2019	2020	2021	2022	Thereafter	Total
Minimim lease income	$ 2,601	$ 2,653	$ 2,706	$ 2,760	$ 2,815	$ 744,239	$ 757,774

Included in other assets and receivables are amounts due from unconsolidated organizations. The University charges RIETS and the High Schools for management services (such as accounting, treasury operations, human resources, procurement, legal, and other administrative services) as well as facilities maintenance. The fees for these services to RIETS were $2,500 for each of the years ended June 30, 2017 and 2016. The cost of these services to the High Schools was $1,000 and $1,428 for the years ended June 30, 2017 and 2016, respectively. The University's inter-company receivable from RIETS is $3,351 and $2,973 at June 30, 2017 and 2016, respectively.

The University provided a subsidy for the High Schools of $1,603 and $2,391 for the years ended June 30, 2017 and 2016, respectively.

7. Land, Buildings and Equipment

Land, buildings and equipment, net consisted of the following at June 30, 2017 and 2016:

	2017	2016
Land	$ 13,717	$ 13,717
Buildings and improvements	385,736	390,375
Equipment, furniture and fixtures	27,858	30,731
Capitalized asbestos remediation costs (Note 10)	5,380	5,493
	432,691	440,316
Less: Accumulated depreciation and amortization	(229,744)	(224,983)
Total including assets held for sale	202,947	215,333
Less: Assets held for sale	-	(5,657)
Total land, buildings and equipment	$ 202,947	$ 209,676

Depreciation and amortization expense related to buildings and equipment for the years ended June 30, 2017 and 2016 was $13,211 and $13,829, respectively. The University wrote off fully depreciated assets of $3,448 and $7,198 during the years ended June 30, 2017 and 2016, respectively.

Assets Held for Sale
In fiscal 2016, the Board of Trustees authorized the sale of two properties located on the Brookdale campus and the Beren Campus for approximately $58,000 and $9,000, respectively. The two sales were completed during fiscal 2017. The net book value of $5,657 and $0, related to the Brookdale campus and Beren Campus, respectively is presented in the Consolidated Statements of Financial Position as assets held for sale as of June 30, 2016. The total gains related to the sale of these two properties were $61,568 and reported separately on the Consolidated Statement of Activities.

(in thousands of dollars)

8. Retirement Plans

Defined Contribution and Deferred Compensation Plans
The University has several defined contribution retirement plans in which most full-time and many part-time employees participate. The University's contributions are based on specified percentages of each employee's annual salary. It is the University's policy to fund retirement plan costs currently. Total retirement plan expense for the years ended June 30, 2017 and 2016 was $2,881 and $5,172, respectively.

The University has a 457(b) deferred compensation plan, which is offered to select management employees. The employee contributions are capped at the annual Federal limit for deferred compensation. The assets related to this plan are included in other assets and receivables in the Consolidated Statements of Financial Position and amounted to $12,023 and $11,582 as of June 30, 2017 and 2016, respectively. The assets primarily consist of mutual funds and guaranteed interest accounts that have been reported in the tables below with the appropriate investment leveling based on the fair value hierarchy described in Note 4.

	2017			
Investment type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds at fair value	$ 8,389	$ -	$ -	$ 8,389

	2016			
Investment type	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds at fair value	$ 7,681	$ -	$ -	$ 7,681

Offsetting liabilities that relate to this plan are included in other liabilities as of June 30, 2017 and 2016. The contract value of the guaranteed interest account for the years ended June 30, 2017 and 2016 was $3,634 and $3,901, respectively.

Multi-Employer Benefit Plan
The University participates in the 1199 SEIU Health Care Employees Pension Fund, a multi-employer defined benefit pension plan, for its Manhattan-based and Einstein 1199 union employees.

The University makes cash contributions to the plan under the terms of collective-bargaining agreements that cover its union employees based on a fixed rate and hours of service per week worked by the covered employees. The risks of participating in a multi-employer plan are different from other single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if the University chooses to stop participating in the multi-employer plan, the University may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

(in thousands of dollars)

In connection with the Joint Collaboration Agreement (Note 3), substantially all 1199 union employees of Einstein have been hired by AECOM, Inc. As a result, the Transaction did not result in any withdrawal liability for the University. As required by ERISA, in the event that AECOM, Inc. withdraws from the plan during the first five years and fails to pay its withdrawal liability, the University will be secondarily liable. AECOM, Inc. has assumed all obligations under the plan and as part of the Transaction agreed to make the required plan contributions.

The University contributed $1,031 and $1,682 in cash and recorded expenses for the multi-employer plan for fiscal 2017 and 2016, respectively. The University's contributions to the 1199 Pension Fund represent less than 5% of total plan contributions.

The following table includes additional disclosure information related to the 1199 Pension Fund.

Plan Name	EIN Plan Number /Pension	Pension Protection Act Zone Status 2017	Pension Protection Act Zone Status 2016	FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
1199 Pension Fund	13-3604862/001	Green	Green	N/A	No	September 30, 2018

The Pension Protection Act zone status indicates the plan's funded status of either at least 80% funded (green) or less than 80% funded (red). A zone status of red requires the plan sponsor to implement a Funding Improvement Plan or Rehabilitation Plan.

The University has one contract with 1199 SEIU which expires on September 30, 2018.

9. Bonds Payable and Other Debt

Details of the bonds payables and other debt as of June 30, 2017 and 2016 are as follows:

Description	Maturity Date	Interest Rate	2017	2016
Bonds payable - DASNY Bonds				
Series 2011A [(a)]	November 1, 2040	4.00%–5.00%	$ 53,015	$ 54,330
Series 2009 [(b)]	September 1, 2038	3.50%–5.18%	105,970	116,225
Principal subtotal			158,985	170,555
Add: Unamortized premiums			812	1,841
Less: Unamortized bond issuance costs			(1,907)	(2,251)
Subtotal - Bonds payable - DASNY Bonds			157,890	170,145
Mortgages payable	Varied	3.13%–4.17%	4,946	6,234
Private placement bonds [(c)]	September 1, 2024	6.75%	-	175,000
Y Properties notes [(d)]	May 6, 2032	4.32%	140,000	-
Less: Unamortized loan issuance costs			(3,198)	(4,161)
Total bonds payable and other debt			$ 299,638	$ 347,218

a. In September 2011, the Dormitory Authority of the State of New York ("DASNY") issued $90,000 of Revenue Bonds Series 2011A (Series 2011A Bonds) on behalf of the University. The Series 2011A Bonds bear interest rates ranging from 4% to 5% with principal payments due at various dates commencing November 1, 2014, and a final maturity date of November 1, 2040. The Series 2011A Bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2011A Bonds. A portion of the proceeds of the Series 2011A Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures and to reimburse $20,500 on a line of credit. A portion of the Series 2011A Bonds was used to refund all but $3,064 of the outstanding DASNY Series 2001 Bonds. The Series 2011A Bonds were issued with a net premium of $3,390, of which $1,000 and $1,463 were unamortized as of June 30, 2017 and 2016, respectively.

b. In July 2009, DASNY issued $140,820 of Revenue Bonds Series 2009 (Series 2009 Bonds) on behalf of the University. The Series 2009 Bonds bear interest rates ranging from 3.50% to 5.18% with principal payments due at various dates commencing September 1, 2016, and a final maturity date of September 1, 2038. The Series 2009 Bonds are general unsecured obligations of the University; no security interest or mortgage encumbering University revenues or assets was granted in connection with the issuance of the Series 2009 Bonds. A portion of the proceeds of the Series 2009 Bonds was used for the payment of, or to reimburse the University for the payment of, certain capital expenditures. A portion of the Series 2009 Bonds was used to refund the outstanding DASNY Series 1998 Bonds. The Series 2009 Bonds were issued with a net premium of $1,386, of which ($188) and $378 were unamortized as of June 30, 2017 and 2016, respectively.

c. In August 2014, the University entered into a financing agreement with a private lender whereby it issued $175,000 of taxable bonds in a private placement. Those taxable bonds were secured by mortgages on certain University properties. The bonds bore interest at the rate of 6.75% per annum. Interest on the bonds is payable semi-annually in March and September, with the principal payment due upon maturity on September 1, 2024. The University utilized a portion of the proceeds to refinance its other short-term borrowings. In November 2016, the University exercised an option to redeem a portion of the outstanding borrowing and paid down $50,000 of the bonds. In April 2017, the University refinanced the remainder of those bonds (see (d.)) and paid the remaining balance of $125,000, using proceeds from such refinancing. As part of the redemption and refinancing, $15,975 in prepayment costs was paid to the lender and included in the extinguishment of debt on the nonoperating section of Consolidated Statement of Activities. In addition, other extinguishment costs of $4,113 are also reflected within the nonoperating section of Consolidated Statement of Activities.

(in thousands of dollars)

d. In April 2017, in connection with the refinancing of the aforementioned taxable bonds, the University transferred ownership of the mortgaged properties to Y Properties, a special purpose entity of which the University is the sole member (Note 1). Y Properties entered into a secured loan agreement with certain lenders whereby it issued notes in the aggregate principal amount of $140,000 which are secured by a mortgage on the five properties owned by Y Properties. The term of the notes are for 15 years, and the notes bear interest at a rate of 4.324% per annum. Until June 2021, Y Properties will make interest only payments; subsequent payments will include a portion of the principal amount outstanding, using a 30 year amortization table. Y Properties distributed the net proceeds of the loan (less debt issuance costs), in the amount of approximately $136,800, to the University in April 2017, and the University used the proceeds to repay the outstanding taxable bonds.

As part of the loan, the University entered into a unitary lease with Y Properties, whereby the University will continue to use the mortgaged properties as a tenant pursuant to a long term operating lease and make monthly rent payments to Y Properties, initially in the approximate amount of $1,590. As of June 30, 2017, payments in excess of debt service and certain operating costs of Y Properties are distributed to the University as the sole member, on a monthly basis. As controlling member, the University includes the operations of Y Properties in its consolidated financial statements, and accordingly all intercompany revenue, expenses, equity transfers and distributions are eliminated in consolidation.

Projected debt service payments on the bonds, mortgages payable and notes are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2018	$ 8,672	$ 13,799	$ 22,471
2019	6,528	13,486	20,014
2020	5,272	13,207	18,479
2021	5,725	12,924	18,649
2022	8,151	12,504	20,655
Thereafter	269,583	87,783	357,366
	303,931	$ 153,703	$ 457,634
Unamortized premium	812		
Unamortized issuance costs	(5,105)		
Total projected debt service payments	$ 299,638		

Interest expense on the bonds and other debt for the years ended June 30, 2017 and 2016 was $16,445 and $22,743, respectively.

The sale of the property on the Brookdale campus in October 2016 reduced the University's bonds and mortgages payable by approximately $5,000; going forward, the University's corresponding debt service payments for such bonds will no longer be required to be made.

(in thousands of dollars)

10. Asset Retirement Obligations

The University has asset retirement obligations for asbestos related removal costs. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability amount recorded.

A reconciliation of the beginning and ending carrying amounts of such obligations is as follows:

	2017	2016
Asset retirement obligations at June 30, 2016	$ 9,725	$ 9,024
Accretion expense	188	195
Asset retirement obligations settled or eliminated	(458)	(16)
Reclassification - Rousso	-	522
Asset retirement obligations at June 30, 2017	$ 9,455	$ 9,725

11. Due to AECOM, Inc.

Included in the Consolidated Statements of Financial Position are certain assets that are being held for AECOM, Inc. due to the Transaction (Note 3).

The following are liabilities payable to AECOM, Inc. that the University has recognized as of June 30, 2017 and 2016:

	2017	2016
Investments held pending transfer	$ 61,736	$ 73,770
Cash and cash equivalents	1,961	3,272
Other assets and receivables		
457B plan	2,219	3,250
Workers compensation	2,111	2,110
Faculty mortgages	342	358
Total due to AECOM, Inc.	$ 68,369	$ 82,760

12. Allocation of Certain Expenses

The accompanying Consolidated Statements of Activities report expenses by functional classification in accordance with the educational mission of the University in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction and sponsored research. Expenses reported as Academic support, Student services and Auxiliary enterprises are incurred in support of these primary services. Institutional support includes general and administrative expenses of the University.

(in thousands of dollars)

Expenses by functional classification, after allocating operations and maintenance, depreciation, and interest, are as follows for the years ended June 30, 2017 and 2016:

	2017					2016
	Before Allocation	Operations and Maintenance	Depreciation and Amortization	Interest	After Allocation	2016 Total
Instruction	$ 75,036	$ 9,565	$ 4,649	$ 6,819	$ 96,069	$ 114,943
Research and training	2,855	364	177	259	3,655	36,619
Academic support	27,294	3,480	1,691	2,480	34,945	40,423
Student services	18,612	2,373	1,153	1,691	23,829	25,904
Institutional support	45,098	5,749	2,794	4,098	57,739	61,774
Auxiliary enterprises	4,554	5,490	2,011	1,098	13,153	17,344
Year ended June 30, 2017	$ 173,449	$ 27,021	$ 12,475	$ 16,445	$ 229,390	
Year ended June 30, 2016	$ 224,029	$ 36,768	$ 13,467	$ 22,743		$ 297,007

Fundraising expenses are included in institutional support. For the years ended June 30, 2017 and 2016, such costs were $10,449 and $11,870, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office. Institutional support includes approximately $2,000 and $3,000 of restructuring costs incurred during fiscal 2017 and 2016, respectively.

13. Scholarships and Tuition Transfers to AECOM, Inc.

Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the University as follows:

	2017	2016
University unfunded support	$ 52,466	$ 58,333
University funded support	22,913	20,772
	$ 75,379	$ 79,105

University unfunded support includes tuition discounts, financial aid, and merit scholarships awarded to students from unrestricted operating resources. University funded support includes financial aid and scholarships funded from restricted and external sources, including federal grant programs, private giving and endowment support.

As part of the affiliation with AECOM, Inc, the University has continued as the degree granting institution until AECOM, Inc. receives its accreditation (Note 3). The University transferred to AECOM, Inc. gross tuition of $47,559 and $40,404, less a scholarship allowance of $18,763 and $15,290, for a net tuition transfer of $28,796 and $25,114 for the years ended June 30, 2017 and 2016, respectively.

(in thousands of dollars)

14. Net Assets Released From Restrictions

Net assets released from restrictions during June 30, 2017 and 2016 were related for the following purposes:

	2017	2016
Academic chairs and support	$ 1,392	$ 1,297
Facility maintenance	961	4,664
Fellowships	1,385	924
Instruction, training and lectureships	6,956	3,842
Other	4,938	7,001
Public service	181	644
Research	27	373
Student scholarships	12,983	8,648
Time restricted pledges	1,734	6,370
	$ 30,557	$ 33,763

15. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

	2017	2016
Academic chairs	$ 29,619	$ 28,172
Facility maintenance	2,335	1,593
Faculty scholars and fellowships	12,697	10,799
Instruction, training and lectureships	16,321	13,454
Library	2,239	1,940
Other	61,687	65,902
Public service	2,983	3,271
Research	170	97
Student scholarships	63,544	55,614
Time restricted pledges	8,245	9,093
	$ 199,840	$ 189,935

(in thousands of dollars)

16. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2017 and 2016 includes endowments, pledges, and loans and were available for the following purposes:

	2017	2016
Academic chairs and support	$ 55,088	$ 52,588
Capital projects	6,055	6,055
Faculty scholars and fellowships	14,458	14,208
Instruction and training and lectureships	66,016	66,461
Library	2,616	2,616
Other	13,459	11,236
Research	4,967	4,686
Revolving fund for special projects	74,695	70,966
Student loans	14,397	13,589
Student scholarships	168,721	165,590
Trusts held by others in perpetuity	4,658	4,306
Unrestricted	14,743	14,738
	$ 439,873	$ 427,039

17. Contingencies

The University is a party to various litigation and other claims arising in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the University's consolidated financial statements.

Amounts received and expended by the University under various federal and state grants and contracts are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the University's consolidated financial statements.

The actions of Bernard Madoff, and J. Ezra Merkin and Ascot Partners, discussed in the 2013 consolidated financial statements' Note 8 (Contingencies), led to the appointment of a trustee and receiver, respectively, for Bernard Madoff's, J. Ezra Merkin's and Ascot Partners' assets. In August 2014, the University received a payment under the settlement negotiated by the New York State Attorney General with J. Ezra Merkin and Ascot Partners. The University has also filed a claim under the Madoff Victims Fund of the U.S. Attorney General, and has been notified that its claim has been approved, with payments to commence prior to the end of 2017, but there can be no assurance that the University will receive any recoveries from that fund. The Madoff Trustee sued the University, seeking to recover approximately $1,000 contributed by Bernard Madoff to the University across a six-year period, prior to 2008. During fiscal 2014, the University and the Madoff Trustee resolved the suit by settlement without trial, under confidential terms. The negotiated settlement amount was substantially less than the initial claim, and is not deemed material by the University.

In January 2014, the University's (and the High Schools') motion to dismiss the case brought against them (and others) in federal court in July 2013 by former students of the High Schools was granted, based upon the fact that the statute of limitations on such claims had run, among other defenses. The case was dismissed with prejudice by the trial judge. The litigation alleged abuse during the 1970s and 1980s by former High Schools employees and sought damages of over $680 million. The Plaintiffs unsuccessfully appealed the dismissal to the Second Circuit Court of Appeals, and Plaintiffs' subsequent appeal efforts were also unsuccessful. Plaintiffs also filed another action in state court (New York County), asserting related claims by the parents of one of the victims, claiming damages stemming from learning of their son's abuse in violation of certain provisions of New York's General Business Law. That claim was dismissed on the grounds that the parents were not proper plaintiffs under the New York statute. The University was subsequently advised by counsel that the Plaintiffs' counsel is not pursuing any further appeals or proceedings. This long-standing matter is now over.

18. Subsequent Events

Subsequent event guidance requires the University to evaluate subsequent events to determine whether they provide additional evidence about conditions that existed at the date of the consolidated financial statements, and to determine if those events require recognition or disclosure in the consolidated financial statements. The University has performed an evaluation of subsequent events through January 11, 2018, which is the date the consolidated financial statements were issued.